

When the seller and buyer agree upon an alteration or other special service charge separately from the selling price of tangible personal property, the charge for the alteration or other special service does not incur Retailers' Occupation Tax liability. See 86 Ill. Adm. Code 130.450. (This is a GIL.)

September 15, 2004

Dear Xxxxx:

This letter is in response to your letter dated March 8, 2004, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at [www.ILTAX.com](http://www.ILTAX.com) to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

This letter is to request a ruling from the Illinois Department of Revenue regarding the taxability of gift-wrapping services.

**Facts:**

COMPANY sells various merchandise to customers who place orders on COMPANY's Internet site. These orders are fulfilled from warehouses located in STATES and delivered to customers throughout the United States via common carrier.

A customer may choose to have the purchased item be gift wrapped by a COMPANY employee prior to being shipped to the desired location. An employee at the warehouse location from which the product is shipped would perform the gift-wrapping. The gift-wrapping is separately stated on the receipt provided to the customer. The items are shipped FOB Destination.

**Issue:**

1. If your state were the destination for the gift-wrapped item, would the gift-wrapping be considered as part of the cost of the item? In which case, its

taxability would be tied to the taxability of the item? Thus if the item is subject to sales and use tax, then the gift wrapping charge is also subject to tax.

2. If your state were the destination for the gift-wrapped item, would the gift-wrapping be subject to sales tax regardless of the taxability of the related item?
3. If your state is the where the gift-wrapping service is performed but the item is shipped to a location outside your state, is the gift wrapping service subject to sales tax as an enumerated service?

We appreciate your guidance regarding this matter. Please contact me if you have any questions.

## **DEPARTMENT'S RESPONSE**

For general information regarding alteration and special service charges, please see 86 Ill. Adm. Code 130.450. A retailer selling tangible personal property, without making a separate and specific charge for the gift-wrapping incurs Retailers' Occupation Tax on the total retail selling price of that property. However, if the gift-wrapping service is separately contracted for, then the separate charge for the gift-wrapping service is not subject to Retailers' Occupation Tax.

For issue number two, please see the response to issue number one. In response to issue number three, it is noted that Illinois is not on the list of states named in your letter where the orders are filled and where the gift-wrapping service is performed.

I hope this information is helpful. If you require additional information, please visit our website at [www.ILTAX.com](http://www.ILTAX.com) or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Edwin E. Boggess  
Associate Counsel

EEB:msk